

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN  
HOWARD COUNTY RETIREMENT PLAN**

**JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

**September 29, 2016**

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, September 29, 2016 at 9:00 a.m. in the Columbia/Ellicott City Room of the George Howard Building, 3430 Courthouse Drive, Ellicott City, Maryland 21043.

**Police and Fire Plan:**

**Members Present:**

Human Resources Administrator: Wanda Hutchinson  
Chief Administrative Officer: Lonnie Robbins  
Director of Finance: Stanley Milesky  
Budget Administrator: Holly Sun  
Representative, Police Department Supervisory Employees:  
    Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2017)  
Representative, International Association of Firefighters, Local 2000:  
    Richard Ruehl  
Representative, Howard County Police Officers' Association, Lodge 21:  
    Mark Thomey  
Representative, Fire and Rescue Supervisory Employees:  
    Vincent Baker (Voting Member in Fiscal Year 2017)

**Members Absent**

None

**Employees Plan:**

**Members Present:**

Human Resources Administrator: Wanda Hutchinson  
Chief Administrative Officer: Lonnie Robbins  
Deputy Director of Finance: Rafiu Ighile  
Budget Administrator: Holly Sun  
Employee Representative: Jeff Bronow  
Representative, American Federation of State, County and  
    Municipal Employees Local 3080: Kim Drennon  
Representative, American Federation of State, County and Municipal  
    Employees Local 3085: Dale R. Chase

## Member Absent

None

Also present for all or a portion of the meeting were:

Sima Taghavi, Department of Finance  
Eric Ralph of Summit Strategies Group (Arrived at 9:40 a.m.)  
Mary Claire Chesshire, Esq., Whiteford, Taylor & Preston L.L.P.  
Teresa Reider, Office of Human Resources  
Scott Southern, Retirement Assistant, Office of Human Resources  
Janssen Evelyn, Office of Law

Wanda Hutchinson acted as Chair of the meeting and Mary Claire Chesshire acted as Secretary. The meeting was called to order at 9:10 a.m. The minutes of the July 28, 2016 meeting were approved, with Dale Chase abstaining from the vote.

Wanda Hutchinson noted that the County's Human Resources website contains a "Retirement" page and asked for suggestions on how to improve the page. Specifically, Wanda asked if any of the Committee members had objections to having their contact information listed on the website and no objections were noted.

Wanda Hutchinson reported that she will be preparing responses to the report issued by the Pension Oversight Commission. Terry Reider advised the Committees that the Commission is meeting with the County Executive on September 30, 2016.

Dale Chase questioned whether the Plans' discount rate is being evaluated. Terry Reider advised the Committees that Bolton Partners will conduct an actuarial assumption study next year at which time the discount rate will be evaluated. The Committee discussed the asset allocation for the Plans and how the allocation impacts meeting, or not meeting, the investment return assumption.

Dale Chase questioned whether active management of the Plans' assets is paying off in terms of increased return. The Committees reviewed a Compliance Report prepared by Summit Strategies Group for the quarter ending June 30, 2016. In a number of cases, the active managers have not outperformed the benchmarks and do not rank above the median over three and five years.

Stanley Milesky asked Holly Sun to comment on the Budget Office's response to a decrease in the discount rate. Further discussion was deferred to the October meeting.

Stanley Milesky and Wanda Hutchinson discussed, generally, the re-bidding process for various vendors to the Plans. While periodic re-bidding is not required, it is viewed as a best practice. A plan for upcoming re-bidding will be developed.

Dale Chase noted that, with the increase in the Plans' assets, it may be advisable to have more than one investment adviser.

Rafiu Ighile advised the Committees, generally, about changes in the AICPA standards for due diligence with respect to alternative investments and the Plans' need to be able to independently value the investments without reliance on the managers' valuations. Eric Ralph noted the recommendations made that Committee members attend the annual meetings of alternative investment managers to conduct due diligence. However, some of the managers hold their annual meetings outside of the United States.

Eric Ralph provided an overview of the asset allocation and expected return for the Plans. Total return is driven largely by asset allocation rather than the underperformance or excess performance by one particular manager. The ten year expected return is 6.6% based on current assumptions compared to 7.1% compared to 2014 assumptions. Eric provided to the Committees an overview of expected alpha and beta, and how standard deviation factors into the analysis. Eric also provided a comparison of the portfolio required to achieve an expected return of 7.0% between 1985 and 2015, and why the current environment is perceived as "low return." In particular, the low return environment has persisted through June 30, 2016 with few asset classes offering outsized returns over the past year.

Low volatility stocks are now a surrogate for bonds, but with a price/earnings increase from 14.8 to 19.3, even these stocks are now fully valued. Currently, the best performing sectors are international, emerging markets, and U.S. small cap stocks.

Total fund composite performance for the three months ending June 30, 2016 was 2.10% gross of fees compared to the implementation index performance of 1.8%. The one year total fund composite performance for the one-year period ending June 30, 2016 was 1.61% gross of fees compared to the implementation performance of 1.82%.. Westfield was the largest driver of equity underperformance in terms of value added by the manager. Fixed income showed 2.36% excess performance which is unusual for the asset class. The biggest driver of excess performance in fixed income was Colchester LMD. With the international equity asset class, managers added 2.52% of value with DFA Emerging Markets being the largest driver of returns.

The Committee reviewed in particular the performance of Westfield that has underperformed the Russell 1000 Growth Index over three months, and one, three, and five-year periods. However, Summit anticipates that Westfield will outperform the benchmark in the future. The issue is not necessarily an issue with Westfield, but an active manager problem in the sector, generally.

The Committees also reviewed the performance of DFA Emerging Markets. This manager is buying smaller, value-oriented stocks and carries over 2000 stocks in the portfolio. While performance has improved, the risk is higher.

Ken Maase of Invesco then joined the meeting to provide a review of the Plans' investment in the Invesco Quantitative Strategies US Enhanced 1% Risk strategy. The portfolio underperformed the S & P 500 over all periods except for the ten years ending August 31, 2016 and since inception of March 12, 2001. The underperformance is attributable to attractively valued companies not outperforming the benchmark.

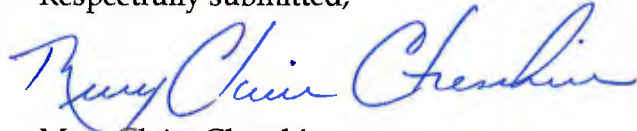
Ken reviewed for the Committees Invesco's investment process for the portfolio. Specifically, the portfolio seeks to invest in companies with strong and improving earnings

expectations that are trading at a discount relative to their peers. However, value-oriented investing did not favor mega cap stocks, but Invesco expects to benefit from improvement in the relative performance of the stocks in the "top 50" model. There is \$270 million invested in this strategy with the Plans' investment totaling \$52.6 million as of August 31, 2016.

Mr. Maase then left the meeting.

Upon motion duly made and seconded, the meeting then adjourned at 11:40 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mary Claire Chesshire". The signature is fluid and cursive, with the first name "Mary" and last name "Chesshire" being more prominent than the middle name "Claire".

Mary Claire Chesshire  
Secretary of the Meeting

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**EXHIBITS  
TO  
MINUTES OF HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT  
PLAN  
AND HOWARD COUNTY RETIREMENT PLAN  
JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

**September 29, 2016**

1. Summit Strategies Compliance Report – Quarter Ending June 30, 2016
2. Summit Strategies Monthly Flash Report – August 31, 2016
3. Summit Strategies Economic & Capital Market Review – June 30, 2016
4. Summit Strategies Asset Allocation and Second Quarter Performance Review
5. Invesco Quantitative Strategies US Enhanced 1% Risk Presentation – September 29, 2016